

Message Text

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SUBJ: ECONOMIC VISITS TO SERBIA AND VOJVODINA; DJERDAP II BID

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SUMMARY: EMBASSY ECONOMIC VISITS MADE TO SERBIA AND VOJVODINA
ON MARCH 6 AND 7, RESPECTIVELY, BRINGING PROGRAM TO HALFWAY MARK
THROUGHOUT COUNTRY. IN DISCUSSIONS, YUGOSLAVS PLACED PARTICULAR
EMPHASIS ON NEW REPUBLIC/PROVINCIAL RESPONSIBILITY FOR OWN TRADE
BALANCES AND FAVORABLE OPPORTUNITY THIS PROVIDES FOR AMERICAN
FIRMS. THEY ALSO NOTED SIGNIFICANCE OF TITO VISIT DURING BOTH
MEETINGS. EMBASSY MADE REPRESENTATION IN SUPPORT OF ALLIS-CHALMERS/
WESTINGHOUSE BID FOR DJERDAP II. END SUMMARY.

1. E/C COUNSELOR MET MARCH 6 WITH SERBIAN SECRETARY FOR ECONOMY,
KRSTA JOVANOVIC, WHO PRESENTED IN-DEPTH PROPOSALS FOR NEW TRADE
AND INVESTMENT OPPORTUNITIES WITH SERBIA DURING NEXT SEVERAL
YEARS. JOVANOVIC MADE CLEAR DURING DISCUSSIONS THAT WITH REGARD
TO TRADE WITH THE WEST U.S. FIRMS WOULD BE IN FAVORABLE POSITION
FOR LANDING MAJOR CONTRACTS DUE TO NEW SYSTEM OF REPUBLIC ACCOUN-
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PAGE 02 BELGRA 01956 081507Z

TABILITY FOR TRADE BALANCE AND FOREIGN EXCHANGE OUTLAYS AND THE
CURRENT HEAVY TRADE DEFICIT WITH WESTERN EUROPE. JOVANOVIC,
AFTER APOLOGIZING FOR DELAY IN PREPARING THEIR PROPOSALS, NOTED
THAT MEETING THAT DAY SYMBOLICALLY IMPORTANT DUE TO TITO'S
DEPARTURE FOR THE UNITED STATES.

-. E/C COUNSELOR AND ECONOMIC OFFICERS VISITED NOVI SAD MARCH 7

FOR DISCUSSIONS WITH VOJVODINA SECRETARY FOR FOREIGN ECONOMIC RELATIONS, SVETOZAR RAKIC; VISIT TO AGRICULTURAL EXPORT FIRM "KOPRODUKT"; AND LUNCHEON MEETING WITH PROVINCIAL BUSINESS REPRESENTATIVES. DURING DISCUSSIONS RAKIC STATED IN MOST UNEQUIVOCAL TERMS WE HAVE HEARD THUS FAR THAT NEW SYSTEM OF REPUBLIC/PROVINCIAL ACCOUNTABILITY FOR FOREIGN TRADE BALANCE WOULD DEFINITELY FAVOR U.S. BUSINESS FIRMS DURING NEXT TWO OR THREE-YEAR PERIOD. HE SAID THAT SINCE VOJVODINA EXPORTERS ENCOUNTERING DIFFICULTY WITH AGRICULTURAL EXPORTS TO THE EC, THEY HAVE DECIDED TO SWITCH SUCH EXPORTS TO THE U.S., THUS ENABLING GREATER PROVINCIAL PURCHASES FROM AMERICAN COMPANIES. HE SAID THAT HAM EXPORTS, FOR EXAMPLE, WILL BE INCREASED BY MORE THAN 30 PERCENT TO THE U.S. IN 1978. RAKIC ALSO NOTED THAT DATE OF MEETING WAS HIGHLY APPROPRIATE SINCE IT FELL ON FIRST DAY OF TITO'S VISIT TO THE U.S. COMPLETE TRIP REPORTS WILL BE SENT SEPTELS.

3. DURING SERBIAN MEETING, E/C COUNSELOR MADE REPRESENTATION IN SUPPORT OF ALLIS-CHALMERS/WESTINGHOUSE BID FOR DJERDAP II HYDROELECTRIC POWER PROJECT, EMPHASIZING FAVORABLE COMPONENTS OF AMERICAN PACKAGE SUCH AS 100 PERCENT COUNTERTRADE, 25 PERCENT YUGOSLAV LOCAL CONTENT, AND EXIMBANK FINANCING. JOVANOVIĆ SAID THAT HE UNDERSTOOD ALL THESE POINTS AND THAT THEY WERE INDEED CORRECT. HE ADDED THAT HE WOULD BRING THE MATTER TO THE ATTENTION OF THE SERBIAN EXECUTIVE COUNCIL, ALTHOUGH DJERDAP ITSELF LIMITED OFFICIAL USE

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PAGE 03 BELGRA 01956 081507Z

HAD RESPONSIBILITY FOR THE DECISION IN THIS CASE. HE THEN SAID THAT, SPEAKING VERY FRANKLY, SERBIA'S HEAVY TRADE DEFICIT WITH THE WEST AS A WHOLE IN THE AREA OF MACHINERY AND EQUIPMENT (CURRENTLY RUNNING AT A 12-1 IMBALANCE) VIRTUALLY FORCED THEM AT THE PRESENT TIME TO MAKE SUCH PURCHASES "ELSEWHERE"--EVEN IF THEY HAD TO SACRIFICE THE QUALITY AND TECHNOLOGY THEY WOULD HAVE PREFERRED. JOVANOVIĆ THEN WENT ON TO SUGGEST THAT THE U.S. CONCENTRATE ON DJERDAP III, WHICH WILL BE EXCLUSIVELY A YUGOSLAV (AND SERBIAN) PROJECT AND FOR WHICH PROCUREMENT WILL PROBABLY BEGIN IN 1981. WORTZEL

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